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ABSTRACT

The "New Economy" implies a society in which information/communication technology is changing the nature of the workplace and contributing to more efficient and productive practices geared toward improving the quality of products and services. Recent events such as the collapse of dot.coms and corporate scandals have led some to doubt that the promises were based on anything substantial. Do productivity gains support the promises of the New Economy? Although there are signs of economic recovery, many remain jobless, and some believe that the recent surge in consumer spending is temporary and is not accompanied by steady improvement in the labor market. Are companies positioning themselves for an economic rebound? There is evidence that some companies are changing production practices and work organization, which some believe are signs of the New Economy. Does the New Economy demand a top-notch work force? Efficient and effective use of information technology and the capacity for lifelong learning are characteristics of the kinds of workers many employers now require. Are new technologies creating the most jobs? Some contend that the New Economy is not about job creation, but about the use of enhanced technology to perform work. Finally, the New Economy is characterized by the decentralization of economic power and opportunities. Portfolio careers and career resilience may be hallmarks of the New Economy's work force. (Contains 14 references.) (SK)

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The "New Economy": Real or High-Tech Bubble?

by Bettina Lankard Brown
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The "New Economy" is a term coined to reflect a society in which information and communication technology are changing the nature of the workplace and contributing to more efficient and productive operational practices geared toward improving the quality of products and services. For a time, it appeared as if these expectations of the "New Economy" were being realized. The stock market was up, business profit margins were increasing, and worker incomes were rising. However, the collapse of dot.coms, the Enron scandal, and other events have led some to doubt that the promises were based on anything substantial. This publication examines the evidence for and against the existence of the New Economy and explores how jobs and careers may be affected by its existence (or nonexistence).

Do Productivity Gains Support the Promises of the New Economy?

As analysts debate the ability of the New Economy to sustain the initial surge of business prosperity that has been halted by a 2-year recession, news of a possible recovery is hitting the streets. Figures reported by the U.S. Department of Commerce on October 30, 2003, showed a GDP (gross domestic product) increase of 7.2 percent during the third quarter—an increase that is the best in nearly 2 decades (Hallett 2003). Adding to this news was the Labor Department's announcement that unemployment benefit claims dropped by 5,000 the same week (ibid.). Do these figures indicate that the New Economy is headed toward recovery?

No, say many analysts, not when so many people are unemployed and there are too few jobs. The current unemployment rate of 6.1 percent indicates that a great number of Americans are still out of work. In addition, although incomes of many are up, they are not keeping pace with the market (Nadesan 2001). Many citizens are unable to afford key goods and services, such as housing, health care, prescription drugs, education, and child care (Madrick 2002).

Equally as firm in their convictions are those who believe that the technological advances of the New Economy promise a better future and continue to afford opportunities for gains, not only in productivity, but also in consumer welfare (Coy 2001). "Real wages, business capital spending and productivity growth are higher than they were 7 years ago despite the 2001 recession," leaving consumers, investors, and companies in better shape than they were before the boom (Mandel 2002a, p. 1).

The most recent GDP report may indicate that businesses are recovering; that they are controlling operations, diversifying, and managing risks; and that they will be able to "prevent the sustained drop in economic activity that has been typical of most recessions" (Alcaly 2003, p. 263). However, it may also be that this recent surge in consumer spending, triggered by tax cuts and low interest rates, is temporary and that until there is steady improvement in the labor market—specifically new jobs—the promises of the New Economy may never be realized.

Are Companies Positioning Themselves for an Economic Rebound?

There has been some speculation that the concept of the New Economy was promulgated by the media and spurred by speculative stock investments in high technology (Madrick 2002). However the New Economy is not about price-earnings multiples, it is about "an economy capable of growing more rapidly without inflation than it did during the long slump of 1973 to 1995 because of technology-driven increases in productivity, the world's best financial systems, and the unleashing of entrepreneurial energies through deregulation" (Coy 2001, p. 80).

Companies in the New Economy have made changes as a result of these recent market innovations. Rather than producing mass quantities of standardized products, companies are focused on providing a greater variety of goods, produced in smaller batches and subject to quality standards. They are becoming more efficient and cost-effective by coordinating their operations with all of the stakeholders in their operations—e.g., suppliers, designers, and distributors; they are employing better-skilled workers and giving them more decision-making responsibilities (Alcaly 2003). These organizational practices are helping businesses avoid the "rigidity and wastefulness of an aging industrial economy based on 'Fordist' mass production principles" (ibid., p. 121).

Does the New Economy Demand a Top-Notch Work Force?

Crucial in the New Economy are information, ideas, and technology, spurred by intellectual assets (educated workers) and intellectual property (innovations). It is the workers' knowledgeable use of technology that can enhance the value of a company's products and services (Kearns 2002). Thus, businesses are looking for workers who are skilled, knowledgeable, and creative—who know not only about technology, but about how to use it; who can not only use technology, but who have the intelligence and creativity to develop new technology that will make them competitive.

Today, the majority of workers use a computer every day and many have access to one at home. In an average workday, American workers spend 33 percent of their time working on the computer and 23 percent on the Internet (Heldrich 2000). Thus, a company's success is dependent on each worker's effective and innovative use of information technologies.

Education is a key factor in employability as well. The New Economy needs a work force that is capable of "conducting research and development and devising new ways to manage and market a business" (Kearns 2002, p. 26). Businesses need workers who have discrimination, analysis, and interpretation skills; they need workers who can solve problems and coordinate projects (Botstein 2001; Kearns 2002). These are skills that require postsecondary education and continued lifelong learning. Research shows those with higher education are more likely to be given access to on-the-job training and technology, advantages that are widening the gap between haves and have nots

(Carnevale 1996; Mandel 2002b). Those with limited education will be left behind. The need for manual work is disappearing (Bayliss 2001).

Are New Technologies Creating the Most Jobs?

Of occupations experiencing the greatest job growth in the New Economy, only a small proportion can be described as specialist information technology occupations. However, Gadrey (2001) contends that the New Economy is not about job creation, but about the use of enhanced technology to perform a variety of job functions that lead to productivity gains and cost reductions and improved quality, relevance, working conditions. Thus, educated and skilled workers such as general managers, teachers, marketing and sales personnel, etc., must have some level of technical proficiency.

If new jobs are not being created, how can people, even the well educated, position themselves to be marketable? Botstein (2001) speaks of the need for U.S. workers to move beyond their comfort zone and become more knowledgeable about all areas of the world and about the people who live in them, especially when there is increasing diversity in the workplace, including an increase in immigrant workers: "There is little question that even if there were no new technology at all in the public education systems in the U.S., pupils must learn, from kindergarten on, more about the world outside of American and Europe. The reasons not only are economic and political. As a result of immigration, the U.S. itself is changing and becoming more a mirror image of the ethnic and cultural diversity in the world as a whole" (Botstein 2001, p. 9).

Will Careers Be Characterized by Portfolios Rather than Tenure?

The New Economy is characterized by the decentralization of economic power and opportunities. "At the level of individual businesses and national economies, flexibility is winning out over rigid controls. And the capacity to respond to change is winning out over the capacity to dictate it" (DeLong and Summers 2001, p. 54). This is becoming true for individuals as well as organizations, for in the newly evolving workplace, the qualities, capabilities, and ideas of individual workers are being given greater weight and also greater control of their own careers with greater responsibility for directing their career progress.

Career resilience—knowing how best to navigate the ongoing changes in the workplace—may be the key to employment. Employment will not be characterized by years of service in a company, but rather by years of employment in a specific occupational field. Many will have careers that are characterized by the term "portfolio"—careers that reflect a mixing and matching of experiences that follow a variety of patterns and take place at different times and in different places. Many people will work from their homes (Bayliss 2001).

Telecommuting is a work option that is growing in popularity for many reasons. For businesses, it eliminates the cost of expensive office space that is used daily by all workers; for employees, it saves the time and expense incurred traveling to the office. But most important, telecommuting has shown to result in increased worker productivity and higher job satisfaction (Heldrich 2000).

Conclusion

Whether the New Economy is myth or reality, certain facts are evident: individuals need to be able to find and keep jobs, and they need education to prepare them for employment. In light of technological advances, it is obvious that many of the available jobs will require some level of technical competence. However, this is not the only qualification that is important.

Workers need transferable skills that will enable them to be flexible, responding to opportunities as they present themselves. They must have foresight, be ready to relocate if necessary, and be creative in finding matches between their skills and available jobs. They must be able to work well with others, "handle exceptions, solve problems, and learn new ways of doing things at work" (Carnevale 1996, p. 4). New generations of workers will "not be short of information and knowledge. What they will need much more is the development of their critical faculties, their ability to access, evaluate, synthesize, and apply what they find; and more conscious development of their ability to relate to others, and to communicate in a variety of ways" (Bayliss 2001, p. 17).

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